

MEETING OF THE DELAWARE AGRICULTURAL LANDS PRESERVATION FOUNDATION

A meeting of the Delaware Agricultural Lands Preservation Foundation was held at the Delaware Department of Agriculture, 2320 S. DuPont Hwy Dover, Delaware, on January 18, 2017 **with the following members in attendance:**

- Chairman Robert Garey
- Ms. Janice Truitt
- Bill Vanderwende
- Robert Emerson
- Kevin Coyle
- Peter Martin
- Chip Narvel

Absent: Secretary Ed Kee, Ted Bobola, Allen Messick, Mr. Ken Simpler

The following staff members were in attendance:

- Austin Short, Chief of Planning & Deputy Secretary of Agriculture
- Milton Melendez
- Scott Blaier
- Jimmy Kroon
- Howard Mesick
- Kathi Spangler
- Rebecca Vaughn

Others in attendance:

- Mike Parkowski, Parkowski, Guerke & Swayze
- Mr. Ralph Truitt, Delaware Association of African American Farmers
- Mr. Omar Masood
- Dan Shortridge, DDA
- Jonathan Moll, Belfint, Lyons & Shuman
- Christina Bell, Belfint, Lyons & Shuman
- Dr. Josh Duke, University of Delaware
- Dr. John Bernard, University of Delaware
- Greg Vitz, University of Delaware
- Sara Albrecht, University of Delaware

Chairman Garey opened the meeting at 8:30 AM.

I. Preservation Districts:

A. Current Situation Report:

Scott Blaier informed the Board there are currently 1,134 approved and pending districts & expansions in the program encompassing 173,345 acres after subtracting terminations. There are 7 easements pending settlement from Round 20; once these are completed there will be 825 Agricultural Easements encompassing 118,468 acres at a cost of \$211,303,447. There were 202 properties appraised for Round 21; the appraisals have been mailed to landowners for their review. Mr. Parkowski's office is scheduling meetings for those landowners interested in making an offer to sell their development rights. Staff has received 24 new district applications to date in 2016. The preserved lands for Farmland and Forestland Preservation (once Round 20 Easements settle) will total 836 easements encompassing 119,396 acres with an acquisition cost of approximately \$213 million. Austin Short added that although we received 13 applications in December (raising the total number of applications received in 2016 from 11 to 24), we typically receive at least 40 applications annually; this reduction is most likely because of reduced program funding.

B. Young Farmers Report

Austin Short advised the board that four of the five surveys for the Round 6 Young Farmer loans are completed except for the Magee Farm, which was slowed because a portion of the property does not have a metes and bounds description and thus the surveyor has to use adjoining properties' descriptions. He anticipates settlements starting in approximately three weeks. A previous Young Farmer loan recipient (Wharton) recently sold their farm to a farmer who does not qualify for the Young Farmer Loan Program – therefore the loan recipient has to repay the Young Farmer loan in full. Aglands staff will receive the check today for the full loan amount (\$82,633.45), which we will deposit into the Young Farmer loan account. These funds will decrease the amount needed from the savings account to fund the Round 6 loans. Austin reminded the Board that although the Young Farmer loan was repaid, the preservation easement will remain on the property in perpetuity.

C. Expansion Eligibility & Final Approval

- 1. Laurel Expansion of the Chipman Farms District (S-16-11-080S)** After discussion and examination of the Application Report, **Chip Narvel moved to accept for Final Approval the Laurel Expansion of the Chipman Farms District, seconded by Ms. Janice Truitt. Motion unanimously approved.**

II. Secretary of Agriculture's Veto:

The Secretary of Agriculture, Ed Kee, waived the right of veto for the above Districts & Expansions in an email to Rebecca Vaughn dated January 9, 2017 as he was unable to attend this month's meeting.

III. Opportunity for Public Comments:

No Public Comments were received.

IV. Minutes:

Chairman Garey asked if there were any comments or changes to the December 14, 2016 meeting minutes that were mailed to Board Members prior to today's meeting. Hearing no changes, the Chairman asked for a motion to approve the December 14th meeting minutes.

Kevin Coyle moved to approve the December 14, 2016 minutes as presented, seconded by Robert Emerson. Motion unanimously approved.

V. Financial Highlights:

The **December 31, 2016** Financial Statements were presented by Howard Mesick, who reported that Funds Held by the State were \$152,704.25, and funds in the State Interest Bearing Account were \$344,558.76 for a total of \$497,263.01. Monthly Income totaled \$873.07 which included Interest Income of \$267.73, Rollback taxes from Sussex County of \$10.34 and License Plate Income of \$595.00. Total Expense for December was \$44,062.26; Net Ordinary Income for the month of December was -\$43,189.19. The Net Income for the year was \$140,821.81. **Ms. Janice Truitt moved to accept the December 31, 2016 Financial Statements as presented, seconded by Chip Narvel. Motion unanimously approved.**

VI. Executive Session

There was no need for an Executive Session.

VII. Other Business

A. Presentation of Foundation Financial Statements – Belfint, Lyons & Shuman

Austin Short introduced Jonathan Moll and Christina Bell from Belfint, Lyons & Shuman, the accounting firm selected by the Auditor's Office to conduct the Foundation's 2016 Fiscal Audit. The audit report is issued to the state auditor's office and is available at www.auditor.delaware.gov; Howard Mesick also distributed a copy of the report to each Foundation trustee. Mr. Moll advised that the two areas of focus during a financial statements audit are the accuracy of the numbers and the internal controls of financial reporting – both of which are included in their audit report. The first section of the report was an opinion on the June 30, 2016 financial statements which they found to be 'unmodified', which means that the accounting statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The second section lists any deficiencies or material weaknesses found with the internal controls of financial reporting and none were found with the Foundation. The firm did, however, recommend changing the Foundation's accounting method for two types of Young Farmer Loan Program transactions, based on guidance issued by the Governmental

Accounting Standards Board (GASB). The state auditor's office also concurred with the recommended changes. Specifically, the Foundation previously accounted for the Young Farmer loans as an asset receivable at the discounted present value because it is interest free. However, GASB states that when a government entity makes a loan to satisfy a government objective, these loans are considered to be market makers and therefore the loan is not discounted at present value on the balance sheet. Their recommendation was to show the Young Farmer loans at gross value, rather than at a net present value. Based on this change, they increased the total loans receivable amount by \$2,789,671. The second recommended change concerned the Young Farmer preservation easement acquisition cost of \$1.00 for each loan and that these easements not previously included as capital assets in the financial statements. Per GASB, preservation rights are classified as capital assets, thus a no-cost acquisition is considered a donation, but the easement's value should be included in the financial statements. Therefore the acquisition value for all Young Farmer loans, \$3,078,372, is now included in the financial statements as an asset. Mr. Moll added that Austin and Howard Mesick were very responsive, which helped the audit proceed in an efficient manner. Howard stated that it was a pleasure working with this firm and look forward to working them for the remaining two years of their contract. Mr. Parkowski asked about the practical significance of the two recommended changes because there are no tax issues associated with the loans. Mr. Moll advised that the change was to simply satisfy a requirement of the Generally Accepted Accounting Principles.

B. Watermelon Labeling Presentation – University of Delaware

Ms. Sara Albrecht presented a USDA-funded research project completed by Joshua M. Duke, John C. Bernard, Gregory Vitz, and herself entitled *A Summary of Research on Whether Consumers Will Pay More for Watermelons Grown on Preserved Farmland*. The purpose of the study was to determine whether people would be willing to pay a premium for produce – specifically watermelons – grown on preserved agricultural land and also to determine if there was a premium for locally grown produce. They found that the study's participants, once they understood farmland preservation, were willing to pay the highest premium for watermelons labeled as both local and from preserved farmland – as much as \$3.00 higher than non-labeled watermelons. The study was conducted at farmer's markets and parks in four different counties in Delaware, Maryland and Pennsylvania. According to the study, labeling could yield higher farm profits for produce grown on preserved lands as well as encourage other farmers to join the preservation program due to these higher profits. Recommendations from this study include create a marketing campaign to educate the public on farmland preservation and adopt a label that could be used by farmers with preserved land to identify preserved farmland products. Discussion followed.

C. Additional Information

Mike Parkowski reported that of the 202 Round 21 eligible landowners, he projects that only

60-100 will make offers whereas in previous rounds the offers often exceeded 100. This reduced participation is likely due to owners' discouragement with the reduced funding available for this round and the very high discount percentages from Round 20 (73 percent average). It appears that next year's (FY18) funding will also be reduced due to the state's budget challenges. He added that he is encouraged by the possibility of New Castle County participating in the state program this year. He advised the new County Executive that there were two New Castle County properties that were not selected in Round 20 but the option agreement allows for those properties to be acquired until July of 2017. Mr. Parkowski stated that New Castle County previously provided significant funding to the state's Aglands Program, which has helped to preserve over 20 percent of New Castle County's remaining farmland. He is hopeful that the county may again choose to use their funds to help purchase easements through the state program. He added that Kent County has consistently provided funding for many years while Sussex County has not contributed funding for several years. He reminded the Board that outside funding sources (such as the counties) can choose which easements to purchase, regardless of discount. The Foundation is not required to match these funds but often has in the past; the Board this year has set aside \$500,000 for matching purposes in Round 21. The Foundation also bears all of the transactions costs, such as surveys, appraisals and legal fees, which is an additional benefit to the other entities (and landowners) that participate in the state program. Landowners can also write off their discount (donation) against their personal income taxes at the rate of 30 percent of adjusted gross income and carry the donation forward for up to five years. He added that Governor Carney has indicated interest in continuing farmland preservation. Mr. Emerson asked if the two New Castle easements not purchased in Round 20 would have to bid for Round 21; Mr. Parkowski advised that they did not have to re-bid if New Castle County decided to provide all of the funding to purchase the easements (as long as their options had not expired). Alternatively, these farms could submit new bids for Round 21 to be eligible for state funds or if the County decided to only provide funding for Round 21 easement selections. Mr. Emerson asked how many New Castle County farms were purchased with county money versus state funding. Austin later informed Mr. Emerson that the County had provided \$6.1 million to help purchase 37 easements on 4,033 acres

Austin advised the Board that he and Mr. Denman continue to negotiate with USDA Natural Resources Conservation Service (NRCS) regarding the conservation easement deed requirements for their Agricultural Conservation Easement Program (ACEP). The remaining obstacle is NRCS wants to retain the right to reject state condemnation powers. Keeping this stipulation could stop state projects (such as road construction and road widenings) that impacted farms with easements funded through ACEP. Ms. Janice Truitt asked if NRCS provided funds to New Castle County for the Warren and Lester farms; Austin replied that NRCS awarded funding to the County but that the funds were not used because the County did not purchase these easements. Austin added that the County decided to accept all of the ACEP provisions, including those that the State is attempting to change through the ongoing negotiations. Chairman Garey remarked that the Foundation had not accepted these federal funds to protect landowners from the restrictions associated with these funds.

D. Other Information & Updates

At the December 2016 meeting, Chip Narvel inquired about weight limits on vehicles that are eligible to use the Aglands Preservation license plates. Austin reported that state law (Title 21, Chapter 21) only allows specialty tags on passenger vehicles and trucks with a manufacturer's rated capacity not exceeding $\frac{3}{4}$ of a ton; therefore increasing the weight limit can only occur through a law change.

The Department's FY18 Joint Finance Committee Hearing is scheduled for Thursday, February 16th at 2:00 pm at Legislative Hall. Governor Markell's FY18 budget recommendation is no funding for Aglands; this amount can be changed by Governor-elect Carney before consideration by the General Assembly.


The Joint Sunset Committee's initial meeting is today; Austin expects to soon know the date for the Foundation's public hearing with the Committee.

At the December 2016 meeting Andrew Manus expressed his concerns about preserved farmland used for wetland mitigation. Secretary Kee has contacted DelDOT Secretary Cohan to discuss how to avoid this situation in the future.

VIII. Adjournment

As there was no further business to come before the Foundation Board, the meeting adjourned at 9:35 a.m. The next meeting of the Foundation will be held on **Wednesday February 15, 2017**, at the Delaware Department of Agriculture beginning at 8:30 a.m.

Respectfully submitted,


William Vanderwende
Vice-Chairman